

SOUTH TEXAS WATER AUTHORITY  
Regular Board of Directors Meeting  
August 4, 2015  
Minutes

Board Members Present:

Kathleen Lowman  
Filiberto Treviño  
Lupita Perez  
Charles Schultz  
Steven Vaughn

Board Members Absent:

Rudy Galvan  
Patsy Rodgers  
Dr. Albert Ruiz

Staff Present:

Carola G. Serrato  
Frances De Leon  
Jacob Hinojosa  
Jo Ella Wagner

Guests Present:

Andy Mejia, Tex-Isle  
Christopher Kayem, Tex-Isle

1. Call to Order.

Ms. Kathleen Lowman, Board President, called the Regular Meeting of the STWA Board of Directors to order at 5:32 p.m. A quorum was present.

2. Citizen Comments.

Ms. Lowman opened the floor to citizen's comments. No comments were made.

*The order of the agenda was changed to accommodate the guests.*

26. Proposed Tex-Isle Foreign Trade Zone and Letter of Concurrence.

Tex-Isle representatives Andy Mejia and Christopher Kayem introduced themselves and provided background information on their company. They said the proposed facility would be located in the Robstown area and would be valued at \$25 to \$30 million with the possibility of providing 75 to 100 jobs. They explained that Tex-Isle has applied for foreign trade zone designation and asked for support from the Board by way of a letter of concurrence. They added that approval from all taxing entities is needed and the Nueces County Commissioners Court has provided a letter of support. Mr. Treviño made a motion to provide a letter of concurrence for Tex-Isle. Mr. Schultz seconded and all voted in favor.

3. Approval of Minutes.

Mr. Treviño made a motion to approve the minutes of the June 23, 2015 Regular Meeting as presented. Mr. Vaughn seconded. The motion passed by unanimous vote.

4. Quarterly Report/Treasurer's Report/Payment of Bills.

The following reports were presented for the Board's consideration:

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Investment Report for Quarter ended June 30, 2015  
Treasurer's Report for period ending June 30, 2015  
Revenue Fund Income Statement for period ending June 30, 2015  
Tax Fund Income Statement for period ending June 30, 2015  
STWA Revenue Fund Balance Sheet – June 30, 2015  
STWA Revenue Fund GL Account Summary Report as of June 30, 2015  
STWA Debt Service Fund Income Statement for period ending June 30, 2015  
STWA Debt Service Fund Balance Sheet June 30, 2015  
STWA Debt Service Fund GL Account Summary Report as of June 30, 2015  
Corrected STWA Capital Projects Fund Income Statement for period ending May 31, 2015  
STWA Capital Projects Fund Income Statement for period ending June 30, 2015  
STWA Capital Projects Fund Balance Sheet – June 30, 2015  
STWA Capital Projects Fund GL Account Summary Report as of June 30, 2015  
STWA 2012 Bond Election Report  
Anticipated vs. Actual Water Rate Charged and Net Revenue Worksheet  
Maintenance & Technical Report from O&M Supervisor

The following outstanding invoices were presented for Board approval:

• HDR Engineering, Inc.	\$ 5,892.00
• HDR Engineering, Inc.	\$ 1,182.00
• HDR Engineering, Inc.	\$ 982.00
• HDR Engineering, Inc.	\$ 3,494.00
• Northern Safety	\$ 1,737.32
• Willatt & Flickinger, Attorneys at Law	\$ 1,186.40
• Russell Corrosion Consultants, Inc.	\$ 2,947.50
• Kevin Kieschnick, NC Tax Assessor	\$ 331.44
• HDR Engineering, Inc.	\$ 5,914.00
• HDR Engineering, Inc.	\$ 2,500.00
• HDR Engineering, Inc.	\$ 1,920.00
• City of Corpus Christi	\$ 107,477.52
• Moody Bros., Inc.	\$ 2,575.00
• FirstSouthwest	\$ 2,500.00

A motion was made by Mr. Schultz and seconded by Mr. Treviño to approve the Quarterly Report, Treasurer's Report and payment of the bills as presented. The motion carried.

5. Water Supply Contract with Ricardo Water Supply Corporation.

Ms. Serrato stated that the Ricardo Water Supply Corporation Board of Directors met on July 1, 2015 and voted to approve a twenty-year contract with South Texas Water Authority as well as accepting title to the facilities providing water to their system. She asked that the Board consider approving Resolution 15-09 in order to formally approve entering into the contract with RWSC.

6. Resolution 15-09. Resolution authorizing execution of a 20-year Water Supply Contract between South Texas Water Authority and Ricardo Water Supply Corporation.

Mr. Schultz made a motion to adopt Resolution 15-09 authorizing execution of a 20-year Water Supply Contract between South Texas Water Authority and Ricardo Water Supply Corporation. Ms. Perez seconded. The motion passed by unanimous vote.

7. Review of 2015 Certified Appraisal Rolls for the Authority's district in Kleberg and Nueces Counties.

Ms. Serrato reported that the Certified Appraisal Rolls were delivered by Kleberg County Appraisal District and Nueces County Appraisal District and reflected net taxable values of \$1,044,245,601 and \$651,824,775 respectively. Ms. Serrato recommended approval of Resolutions 15-10 and 15-11.

8. Resolution 15-10. Resolution adopting the appraisal roll for the South Texas Water Authority's district in Kleberg County for tax year 2015.

After reviewing the Kleberg County appraisal roll for tax year 2015, Mr. Treviño made a motion to approve resolution 15-10. Ms. Perez seconded the motion. The motion carried.

9. Resolution 15-11. Resolution adopting the appraisal roll for the South Texas Water Authority's district in Nueces County for tax year 2015.

Following review of the Nueces County appraisal roll for tax year 2015, Mr. Treviño made a motion to approve resolution 15-11. Ms. Perez seconded the motion. The motion passed by unanimous vote.

10. Preliminary Fiscal Year 2016 Budget.

Ms. Serrato presented the Preliminary Fiscal Year 2016 Budget. She said that the preliminary budget is based on the current O&M tax rate and Handling Charge, an I&S tax rate of 2.136 cents per \$100 valuation and a net loss of \$54,998. She added that the City of Corpus Christi's water rate has not yet been determined. She requested authorization to provide the presented budget to STWA's wholesale customers allowing a 30-day comment period. She noted that the budget would not include the rates which have not yet been adopted. Mr. Schultz made a motion to authorize distribution of the proposed FY 2016 budget to STWA's wholesale customers for a 30-day comment period. Mr. Vaughn seconded. All voted in favor.

11. Proposed Fiscal Year 2016 tax rate and authorization to publish notice of public hearing.

Ms. Serrato presented the Water District Notice of Public Hearing on Tax Rate which will require publication on September 13<sup>th</sup> in order to hold a public hearing on September 22<sup>nd</sup> as scheduled. She said that the effective tax rate for purposes of publication is \$0.085123/\$100 valuation which is comprised of the M&O tax rate of \$0.06376/\$100 and the I&S tax rate of \$0.02136/\$100. She explained that the FY 2016 I&S tax rate is lower because of a lower FY 16

bond debt payment. Mr. Treviño made a motion to authorize publication of the public notice in September as needed. Mr. Schultz seconded. All voted in favor.

12. TCEQ Enforcement Action and State Office of Administrative Hearings.

Ms. Serrato stated that the TCEQ report was received very late on July 24<sup>th</sup> and presented the 10-page report without the attachments for the Board's review. She said that a conference call is scheduled with Aaron Archer of HDR Engineering and Bill Flickinger of Willatt and Flickinger to discuss the report and added that the SOAH Hearing is scheduled for October 29th. She had nothing further to report.

13. Kingsville Pump Station Bond Projects – Construction of the 1.0 MG Ground Storage Tank.

- Addendum No. 02 to Drawings, Contract Documents, and Specifications for Kingsville Pump Station-Ground Storage Tank Improvements
- Bids for Construction of the Kingsville Pump Station 1.0 MG Ground Storage Tank

Ms. Serrato reported that a pre-construction conference was held on July 1<sup>st</sup> and the bid opening occurred on July 16<sup>th</sup>. She said Mr. Archer reviewed the bids and recommends awarding the bid to the lowest responsible bidder, Preload, in the amount of \$1,319,700 for construction of the 1.0 MG ground storage tank and installation of a tank disinfectant mixing system. She added that an addendum had been issued extending the time for completion by thirty days. She recommended adoption of Resolution 15-12 awarding the bid for construction of the 1.0 MG tank and mixing system to Preload in the amount of \$1,319,700.

14. Resolution 15-12. Resolution awarding the bid for construction of the Kingsville Pump Station 1.0 MG Ground Storage Tank.

Mr. Vaughn made a motion to adopt Resolution 15-12 awarding the bid for construction of the Kingsville Pump Station 1.0 MG Ground Storage Tank to Preload in the amount of \$1,319,700. Ms. Perez seconded and all voted in favor.

15. Kingsville Pump Station Bond Projects –Pump Replacement.

- Bids for the Kingsville Pump Replacement Project

Ms. Serrato reported that a pre-construction conference for the Kingsville Pump Replacement Project was held on July 1<sup>st</sup> and the bid opening occurred on July 16<sup>th</sup>. She said Mr. Archer reviewed the bids and the lowest responsible bidder as recommended by Mr. Archer is ACP, Associated Construction Partners, with a bid of \$295,000. She recommended adoption of Resolution 15-13 awarding the bid for construction of the replacement pumps and associated valves and appurtenances to ACP in the amount of \$295,000.

16. Resolution 15-13. Resolution awarding the bid for construction of the Kingsville Pump Station Replacement Pumps.

Mr. Schultz made a motion to adopt Resolution 15-13 awarding the bid for construction of the Kingsville Pump Station replacement pumps to Associated Construction Partners in the amount of \$295,000. Mr. Treviño seconded and all voted in favor.

17. Joint Project with Nueces Water Supply Corporation – Pump Station Improvements at the Driscoll Pump Station.

- Bids for the Driscoll Pump Station Expansion Project

Ms. Serrato stated that like the Kingsville projects, a pre-construction conference was held on July 1<sup>st</sup> and bids were opened on July 16<sup>th</sup>. After review of the bids, Mr. Archer recommended Mercer Controls as the lowest responsible bidder with a bid of \$122,000. She reminded the Board that STWA will pay for the portion of the project related to the expansion of the building and NWSC will be responsible for the cost of the pump and any related piping, valves, electric work and controls as well as its pro-rated share of engineering costs based on the final construction figures. She then recommended adoption of Resolution 15-14 awarding the bid for the Driscoll Pump Station Expansion Project to Mercer Controls in the amount of \$122,000.

18. Resolution 15-14. Resolution awarding the bid for the Driscoll Pump Station Expansion Project.

Mr. Schultz made a motion to adopt Resolution 15-14 awarding the bid for the Driscoll Pump Station Expansion Project to Mercer Controls in the amount of \$122,000. Mr. Treviño seconded and all voted in favor.

19. Water Supply Contract with the City of Bishop.

Ms. Serrato presented a cover letter with a modified 20-year water supply contract sent to Bishop Mayor Joe Morales. She said the contract was drafted by Mr. Willatt using the same template as the Ricardo Water Supply Corporation contract and included a few revisions from the contract previously provided to the City. The revisions are 1) referring to the Westside Pump Station as complete, 2) not including a clause providing for a mid-year change of rates, 3) including a clause for the City to provide a License Agreement for the Eastside Pump Station, and 4) including a provision to waive paying minimums when the City is unable to receive the required volume. She added that City Secretary Cynthia Contreras indicated that she would speak with Mayor Morales about placing the item on the City's August 19 or 26 agenda. Ms. Serrato asked for approval of the revised contract and authorization to notify the City that the Board approved the revised contract for negotiation purposes. Mr. Treviño made a motion to authorize the follow-up letter, Ms. Perez seconded and all voted in favor.

20. Water Supply Contract with the City of Kingsville.

Ms. Serrato reviewed the latest draft of the City of Kingsville contract which Mr. Willatt developed. She explained that although she expressed to him that she believed the Board's preference was to keep all the contracts as standard as possible, the contract drafted by Mr.

Willatt is somewhat different. His email on the draft contract explains that the City requested some revisions which he kept in the draft because he assumes that they would agree to them. In addition, Ms. Serrato stated that the contract calls for an annual purchase of \$400,000 instead of \$350,000 but does not address the issue of the City paying the cost of additional disinfection booster stations if the City does not take sufficient water to maintain the chlorine residual. The Board consensus was to send the 20-year contract to the City of Kingsville. In addition they would like to have discussions with the City regarding the residual problem and TCEQ Enforcement Action.

21. Proposals for services pertaining to the City of Corpus Christi true-up.

Ms. Serrato said she contacted several consultants for services on the City of Corpus Christi true-up. She recommended Mr. Chris Ekrut of NewGen Strategies and Solutions, LLC based on his current experience on the same type of work with Nueces County Water Control and Improvement District #4 and his familiarity with the Corpus Christi rate model. She added that his rate should be much better than Marvin Morgan's rate of \$400 per hour. Mr. Schultz made a motion to authorize staff to negotiate a contract for services with Mr. Chris Ekrut with NewGen Strategies and Solutions, LLC. Mr. Vaughn seconded and all voted in favor.

22. Review of Executive Director's salary.

23. Selection of Personnel Evaluation Committee for evaluation of the Executive Director.

Ms. Lowman said she asked to have these items placed on the agenda because she feels it is appropriate to discuss the salary at budget time rather than at the end of the year. She went on to say that she has a problem with the way the last evaluations have been done. She explained that the Personnel Committee meets and presents their recommendations, but the Board has not fully supported the recommendations. She added that if the Board does not agree to support the Committee, she would rather not participate. Ms. Perez agreed with Ms. Lowman's comments. Ms. Lowman explained the process and how a significant amount of time is involved in the review prior to the discussions at the Board meeting. The Board ultimately decided to hold the evaluation during a Special Board Meeting in September.

24. STWA Depository and Depository Bids.

Ms. Serrato stated that the end of the current depository agreement is approaching and asked for the Board's input on the next term. She said options include advertising for bids or requesting a renewal of the current agreement with Prosperity Bank. She said staff has been satisfied with Prosperity Bank's services, fee schedule and interest earnings. Mr. Treviño made a motion to contact Prosperity Bank for a two-year renewal on the current depository agreement. Mr. Schultz seconded and all voted in favor.

25. Bond Project – Assessment of the STWA 42-inch waterline – Engineer selection.

Ms. Serrato stated that it appears that there are sufficient bond funds remaining to proceed with assessment of STWA's 42-inch waterline. She asked whether the Board would prefer to advertise for RFQ's (request for qualifications) or select an engineering firm of the Board's preference. The Board asked for her recommendation and she responded that she would

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recommend Aaron Archer of HDR Engineering because of her satisfaction with his work on other STWA projects. Mr. Schultz made a motion to authorize Ms. Serrato to begin negotiating a contract for services with HDR Engineering. Mr. Treviño seconded. All were in favor.

26. Proposed Tex-Isle Foreign Trade Zone and Letter of Concurrence.

This item was discussed earlier in the meeting.

27. Adjournment.

With no further business to discuss, Ms. Lowman adjourned the meeting at 7:16 p.m.

Respectfully submitted,



Frances De Leon  
Assistant Secretary